



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

**Statement of
The Honorable Clay Johnson III
Deputy Director for Management
Office of Management and Budget**

before the

**Subcommittee on Environment, Technology and Standards
of the
Committee on Science
U.S. House of Representatives**

March 11, 2004

Introduction

Thank you, Mr. Chairman, Members of the Committee, for inviting me to testify this morning. I want to discuss with you our assessment of the Environmental Protection Agency's (EPA) research programs and describe how the President's Management Agenda helps federal agencies get greater results on behalf of the American people.

We, all of us, are in the process of making the Federal Government results-oriented. We here in Washington tend to focus on the amount of money we're spending as a validation for how much the Federal Government is committed to an objective. As a part of becoming results-oriented, however, we are now focusing more heavily on the results we achieve on behalf of the American people. With just a little help from OMB, agencies are asking whether they are achieving their objectives as effectively and efficiently as possible. EPA is a leader in this effort.

EPA is as advanced as any agency in government in having and using accurate financial information to make day-to-day decisions about program management. For example, EPA negotiates performance commitments with its grantees and provides resources based on those commitments. EPA regularly monitors grantees' performance and expenditures and, if a grantee isn't meeting its commitments, EPA may withhold resources from the non-performers and redirect those resources to grantees that are meeting their commitments.

The Program Assessment Rating Tool

Applying the Program Assessment Rating Tool (PART) is one of the ways we are becoming results-oriented. The PART is a series of questions that assesses the purpose, strategic planning, management, and performance of individual programs. Programs must demonstrate that their purpose is clear, that they set aggressive, outcome-oriented long and short-term goals, that they are well managed, and that they achieve results. With this tool, we are assessing the performance of every Federal program, and if it is not working as intended, we are trying to do something about it.

The Administration has used the PART to assess 400 programs so far, representing approximately \$1 trillion in Federal spending. We are using these assessments not only to guide our budget decisions, but also to improve the performance and management of the government's programs. The purpose of asking whether programs are working is to figure out how to fix them, not whether to spend more or less on them.

Ecological Research and Pollution Prevention PARTs

As you know, OMB and EPA assessed EPA's Ecological Research program and Pollution Prevention and New Technologies program using the PART. According to the assessment, the Ecological Research program:

- did not adequately coordinate the expenditure of resources with other EPA offices or other agencies;
- lacks adequate annual measures of its performance; and
- does not have sufficient evaluations of its performance.

Like nearly 40 percent of the programs evaluated using the PART, the principal finding for the program was the lack of adequate performance measures. Therefore, EPA has committed to finding the right measures for this important program. The President has requested \$110 million for this program in his FY 2005 Budget, down from \$132 million in FY 2004.

According to the assessment, the Pollution Prevention and New Technologies program:

- has not addressed findings made by independent evaluations; and
- has not developed adequate measures of its performance.

As a result of these findings, EPA has committed to developing adequate performance measures and addressing findings made in previous independent evaluations. The President has requested \$36 million for this program in his FY 2005 Budget, down from \$42 million in FY 2004.

Why reduce funding for these programs?

Both the Ecological Research and Pollution Prevention programs were “unable to demonstrate results,” which clearly influenced funding decisions related to the programs. Especially in a year like this one, when resources are constrained, we should be directing resources to those programs that can achieve the most for the money. EPA and OMB used the PARTs for the Ecological Research and Pollution Prevention programs as one factor in making budget decisions about those programs and to focus resources on the programs most effective in helping EPA accomplish its mission.

As I've mentioned, the Pollution Prevention research program could not show whether the tools it is developing are used by industry, and, if so, to what extent they are used. Also, previous independent evaluations of the Pollution Prevention research program concurred with the PART review, especially in the areas of strategic planning and measurable results. On the other hand, a similar program in the EPA's Office of Prevention, Pesticides, and Toxics was able to show that industry reduced its use and emissions of toxic chemicals through the use of tools and methods developed by the program. We consider reductions in pollution to be one of the highest-level outcomes of an environmental program's performance. Therefore, we redirected funds to the pollution prevention program so EPA can continue to achieve pollution reduction, thereby positively impacting the quality of public health and the environment. Despite redirection of a small amount of funds from pollution prevention research to OPPTS's program, the Administration maintained a large amount of funding for the pollution prevention research program to assist it, among other things, in developing performance measures.

This is our rationale for funding decisions related to EPA's research programs. I will leave to Dr. Gilman a more robust discussion of how these funding decisions were applied to specific components of the research programs.

Research and Development and the Investment Criteria

The Government's investment in research & development, not only in the environmental arena but elsewhere, is substantial. But in a time of constrained resources, it is imperative that we invest in R&D wisely. In recognition of the special challenges that measuring R&D programs present, and leveraging work done by the National Academies of Science, the Administration developed its R&D Investment Criteria, which were incorporated into the PART. These criteria are some of the things we look at when assessing the value of particular R&D programs:

- **Relevance.** Programs must be able to articulate why they are important, relevant, and appropriate for Federal investment;
- **Quality.** Programs must justify how funds will be allocated to ensure quality; and
- **Performance.** Programs must be able to monitor and document how well the investments are performing.

As noted in our PART evaluations, the programs we assessed could improve the ways they measure their performance. The three EPA programs we assessed cover important issues, and receive funding totaling approximately \$210 million. We strongly believe that programs with Federal funding of this magnitude should be able to monitor and document how these investments are performing. There are other equally important programs that are receiving similar levels of funding, but whose results are more measurable. For example, the Department of Energy's Wind Energy program, with proposed FY 2005 funding of \$42 million, can demonstrate its contributions to the commercial success of wind energy use throughout the United States. The Federal Aviation Administration's Research, Engineering and Development program, with proposed FY 2005 funding of \$117 million, has set a long-term goal to produce turbulence forecasting products that allow pilots to avoid hazardous flight conditions while improving safety and ensuring efficient airspace use.

The Future of the PART

The PART is a vehicle for improving program performance. It is just a tool to achieve the goals laid out by Congress in the Government Performance and Results Act (GPRA). GAO has made a number of recommendations for improving the PART, the vast majority of which we agree with and are addressing. For example:

- With respect to centrally monitoring PART recommendations, we have provided a simple format for agencies to follow when reporting the status of recommendation implementation to OMB and I receive

these reports semi-annually. We will continue to refine this process so that sufficient attention is given to recommendation follow-up.

- As the PART relies on separate evaluations of evidence of a program's success, we agree with GAO that the judgment about what constitutes a sufficient evaluation should be based on the quality, in addition to the independence, of the evaluation.
- One of the greatest opportunities for the PART is to compare the performance of, and share best practices among, like programs across government. We will continue to use the PART for that purpose.
- We will continue to improve agency and Executive Branch implementation of GPRA by insisting GPRA plans and reports meet the requirements of this important law and the high standards set by the PART.
- We are clarifying the PART guidance so that it is well understood by those who have to use it, as well those who have to administer it. We will continue to assess completed PARTs to ensure they are completed consistently by agencies and OMB.

Conclusion

The PART is a valuable tool now, as the General Accounting Office and others have asserted, and it will get better each year. As more and more program assessments are conducted, the vast majority of budget and management decisions will be significantly influenced by information about how programs are performing. Agencies, including EPA, will be better able to describe to Congress and the taxpayer what his or her funding is purchasing and will be managing so that each year improvements in efficiency and service delivery can be documented.

Clay Johnson III

Clay Johnson is the Deputy Director for Management at the Office of Management and Budget. The Deputy Director for Management provides government-wide leadership to Executive Branch agencies to improve agency and program performance. Prior to this he was the Assistant to the President for Presidential Personnel, responsible for the organization that identifies and recruits approximately 4000 senior officials, middle management personnel and part-time board and commission members.

From 1995 to 2000, Mr. Johnson worked with Governor George W. Bush in Austin, first as his Appointments Director, then as his Chief of Staff, and then as the Executive Director of the Bush-Cheney Transition.

Mr. Johnson has been the Chief Operating Officer for the Dallas Museum of Art and the President of the Horchow and Neiman Marcus Mail Order companies. He also has worked for Citicorp, Wilson Sporting Goods and Frito Lay.

He received his undergraduate degree from Yale University and a Masters degree from MIT's Sloan School of Management. In Austin, he helped create the Texas State History Museum, and was also an Adjunct Professor at the University of Texas Graduate School of Business. In Dallas, he served as President of the Board of Trustees for St. Marks School of Texas, and as a Board Member of Equitable Bankshares, Goodwill Industries of Dallas, and the Dallas Chapter of the Young Presidents Organization.